



## Treasury Inspector General for Tax Administration

### COMPLETE ACTIONS WERE NOT TAKEN TO VALIDATE THE BEST SOFTWARE SOLUTION WAS CHOSEN FOR THE PRIVATE DEBT COLLECTION PROGRAM

Issued on April 10, 2007

## Highlights

Highlights of Report Number: 2007-20-065 to the  
Internal Revenue Service Chief Information Officer.

### IMPACT ON TAXPAYERS

In a prior audit, TIGTA determined the documentation prepared to support the Alternatives Analysis for the Filing and Payment Compliance Project (the Project) was not accurate, complete, and timely. The Internal Revenue Service (IRS) agreed with TIGTA's conclusion and planned corrective actions to revalidate its decision to purchase commercially available software for the Project. However, the IRS did not adequately complete those corrective actions and thus cannot prove it spent taxpayer funds wisely.

### WHY TIGTA DID THE AUDIT

The IRS does not actively attempt to collect billions of dollars in delinquent taxes because it does not have sufficient staff, collection processes, or systems. To address this issue, in 2001, the IRS initiated the Project, which includes plans for the Private Debt Collection program. Under the Private Debt Collection program, the IRS has the authority to hire private collection agencies to assist in the collection of delinquent taxes. In July 2004, the Department of the Treasury estimated the IRS will collect \$1.4 billion through the program over the next 10 years (Fiscal Years 2006-2015).<sup>1</sup>

The IRS identified and evaluated three alternatives to select the best solution for the Project. During a prior audit of the Project, TIGTA could not verify whether the IRS had selected the best solution for the Project because supporting documentation was not always accurate, complete, and timely. TIGTA recommended the Chief Information Officer complete corrective actions to validate the IRS' decision to purchase commercially available software for the Project. In August 2006, the IRS reported all corrective actions were complete.

TIGTA conducted this review to determine whether the IRS revalidated its decision.

### WHAT TIGTA FOUND

An Alternatives Analysis is used to identify, compare, and assess viable alternatives for a project and document the rationale for selecting the chosen alternative. The IRS hired a contractor to estimate the acquisition cost for one alternative included in the Alternatives Analysis. However, the IRS' efforts to revalidate its decision to purchase commercially available software for the Project were incomplete. Without complete information, it is not possible to compare the alternatives considered for the Project to identify the best solution for the Project.

In 2006, the IRS significantly reduced the scope of the Project. Department of the Treasury regulations require a new Alternatives Analysis when there is a significant change to the scope of the Project. However, the Project is approaching "steady state" (i.e., ongoing operations and support of the Project, which begin after the business processes and system have been installed and have begun performing business functions). Once it is considered "steady state," the Project will no longer be required to prepare an Alternatives Analysis. Therefore, it may not be cost effective to expend significant resources developing estimates and supporting documentation for a new Alternatives Analysis.

### WHAT TIGTA RECOMMENDED

The Chief Information Officer should work with officials from the Department of the Treasury and the Office of Management and Budget to determine the level of effort required to develop estimates and supporting documentation for a new Alternatives Analysis for submission to the Department of the Treasury in June 2007.

In their response to the report, IRS officials agreed with our recommendation. They stated the IRS would use TIGTA's observations as lessons learned for preparing future Alternatives Analysis and will commence working with the Department of the Treasury and the Office of Management and Budget.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200720065fr.pdf>.

<sup>1</sup> Information obtained from the Department of the Treasury. We did not verify this information.